Business Ethics - Introduction

Ethics is a subject of social science that is related with moral principles and social values. 'Business Ethics' can be termed as a study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility, and fiduciary responsibilities.

Businesses must abide by some basic principles. It should provide quality goods and services at reasonable prices to their consumers. It must also avoid adulteration, misleading advertisements, and other unfair malpractices.

A business must also perform other duties such as distributing fair wages, providing good working conditions, not exploiting the workers, encouraging competition, etc.

Business Ethics – Definition

There are many definitions of business ethics, but the ones given by **Andrew Crane** and **Raymond C. Baumhart** are considered the most appropriate ones.

According to Crane, "Business ethics is the study of business situations, activities, and decisions where issues of right and wrong are addressed."

Baumhart defines, "The ethics of business is the ethics of responsibility. The business man must promise that he will not harm knowingly."

Features of Business Ethics

There are eight major features of business ethics −

* **Code of Conduct** − Business ethics is actually a form of codes of conduct. It lets us know what to do and what not to do. Businesses must follow this code of conduct.
* **Based on Moral and Social Values** − Business ethics is a subject that is based on moral and social values. It offers some moral and social principles (rules) for conducting a business.
* **Protection to Social Groups** − Business ethics protect various social groups including consumers, employees, small businesspersons, government, shareholders, creditors, etc.
* **Offers a Basic Framework** − Business ethics is the basic framework for doing business properly. It constructs the social, cultural, legal, economic, and other limits in which a business must operate.
* **Voluntary** − Business ethics is meant to be voluntary. It should be self-practiced and must not be enforced by law.
* **Requires Education & Guidance** − Businessmen should get proper education and guidance about business ethics. Trade Associations and Chambers of Commerce should be active enough in this matter.
* **Relative Term** − Business ethics is a relative term. It changes from one business to another and from one country to another.
* **New Concept** − Business ethics is a relatively newer concept. Developed countries have more exposure to business ethics, while poor and developing countries are relatively backward in applying the principles of business ethics.

Principles of Business Ethics

The principles of business ethics are related to social groups that comprise of consumers, employees, investors, and the local community. The important rules or principles of business ethics are as follows −

* **Avoid Exploitation of Consumers** − Do not cheat and exploit consumer with measures such as artificial price rise and adulteration.
* **Avoid Profiteering** − Unscrupulous business activities such as hoarding, black-marketing, selling banned or harmful goods to earn exorbitant profits must be avoided.
* **Encourage Healthy Competition** − A healthy competitive atmosphere that offers certain benefits to the consumers must be encouraged.
* **Ensure Accuracy** − Accuracy in weighing, packaging and quality of supplying goods to the consumers has to be followed.
* **Pay Taxes Regularly** − Taxes and other duties to the government must be honestly and regularly paid.
* **Get the Accounts Audited** − Proper business records, accounts must be managed. All authorized persons and authorities should have access to these details.
* **Fair Treatment to Employees** − Fair wages or salaries, facilities and incentives must be provided to the employees.
* **Keep the Investors Informed** − The shareholders and investors must know about the financial and other important decisions of the company.
* **Avoid Injustice and Discrimination** − Avoid all types of injustice and partiality to employees. Discrimination based on gender, race, religion, language, nationality, etc. should be avoided.
* **No Bribe and Corruption** − Do not give expensive gifts, commissions and payoffs to people having influence.
* **Discourage Secret Agreement** − Making secret agreements with other business people to influence production, distribution, pricing etc. are unethical.
* **Service before Profit** − Accept the principle of "service first and profit next."
* **Practice Fair Business** − Businesses should be fair, humane, efficient and dynamic to offer certain benefits to consumers.
* **Avoid Monopoly** − No private monopolies and concentration of economic power should be practiced.
* **Fulfil Customers’ Expectations** − Adjust your business activities as per the demands, needs and expectations of the customers.
* **Respect Consumers Rights** − Honor the basic rights of the consumers.
* **Accept Social Responsibilities** − Honor responsibilities towards the society.
* **Satisfy Consumers’ Wants** − Satisfy the wants of the consumers as the main objective of the business is to satisfy the consumer’s wants. All business operations must have this aim.
* **Service Motive** − Service and consumer's satisfaction should get more attention than profit-maximization.
* **Optimum Utilization of Resources** − Ensure optimum utilization of resources to remove poverty and to increase the standard of living of people.
* **Intentions of Business** − Use permitted legal and sacred means to do business. Avoid Illegal, unscrupulous and evil means.

Follow **Woodrow Wilson**'s rules − There are four important principles of business ethics. These four rules are as follows −

* **Rule of publicity** − According to this principle, the business must tell the people clearly, what it tends to do.
* **Rule of equivalent price** − The customer should get proper value for their money. Below standard, outdated and inferior goods should not be sold at high prices.
* **Rule of conscience in business** − The businesspersons must have conscience while doing business, i.e. a morale sense of judging what is right and what is wrong.
* **Rule of spirit of service** − The business must give importance to the service motive.

Example of Unethical Business Practices

Satyam Computers, a global IT company, was defamed in a notorious list of companies involved in fraudulent financial activities. The list includes names such as Enron, WorldCom, Parmalat, Ahold, Allied Irish, Bearings and Kidder Peabody.

Satyam’s CEO, Ramalinga Raju, accepted his role in a broad accounting impropriety that had overstated the company’s net revenue and profit. The company had earlier reported a cash reserve of approximately $1.04 billion that actually existed only in books but not in reality.

In his letter to his board, exposing the fraud, Satyam’s Raju showed the propensity of the fraud. He stated that, “What started as a marginal gap between actual operating profits and ones reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions. …”

Later, he described the process as “like riding a tiger, not knowing how to get off without being eaten.”

# Professions and Professionalism

Advertisements

[Previous Page](https://www.tutorialspoint.com/engineering_ethics/engineering_ethics_gilligans_theory.htm)

[Next Page](https://www.tutorialspoint.com/engineering_ethics/engineering_ethical_theories.htm)

In our previous chapters, we discussed the different aspects of solving a conflict. Let us now understand what do we mean by profession and professionalism. The words “Profession” and “Professionalism” are often referred in the moral issues.

## Profession

Profession means a job or an occupation, that helps a person earn his living. The main criteria of a profession involves the following.

* **Advanced expertise** − The criteria of a profession is to have sound knowledge in both technical aspects and liberal arts as well. In general, continuing education and updating knowledge are also important.
* **Self-regulation** − An organization that provides a profession, plays a major role in setting standards for the admission to the profession, drafting codes of ethics, enforcing the standards of conduct and representing the profession before the public and the government.
* **Public good** − Any occupation serves some public good by maintaining high ethical standards throughout a profession. This is a part of professional ethics where each occupation is intended to serve for the welfare of the public, directly or indirectly to a certain extent.

## Professionals

A person who is paid for getting onvolved in a particular profession in order to earn a living as well as to satisfy the laws of that profession can be understood as a Professional. The definition of a professional is given differently by different experts in the field. Let us see the following definitions −

* *“Only consulting engineers who are basically independent and have freedom from coercion can be called as professionals.”* − **Robert L. Whitelaw**
* “Professionals have to meet the expectations of clients and employers. Professional restrains are to be imposed by only laws and government regulations and not by personal conscience.” − **Samuel Florman**
* *“Engineers are professionals when they attain standards of achievement in education, job performance or creativity in engineering and accept the most basic moral responsibilities to the public as well as employers, clients, colleagues and subordinates.”* - **Mike martin and Ronald Schinzinger**

## Models of Professional Engineers

An engineer who is a professional, has some tasks to perform by which he acts as any of the following, which can be termed as Models of Professional Engineers.

* **Savior** − A person who saves someone or something from any danger is called a Savior. An engineer who saves a group of people or a company from a technical danger can also be called a **Savior**. The Y2K problem that created problems for computers and computer networks around the world was solved by engineers who were the saviors.
* **Guardian** − A person who knows the direction towards a better future is known to be the Guardian for the same. An engineer who knows the direction in which there is scope for the technology to develop can also be called a **Guardian**. This engineer provides the organization with innovative ideas for technological development.
* **Bureaucratic Servant** − A person who is loyal and can solve problems when they occur using his own skills, is a Bureaucratic servant. An engineer who can be a loyal person to the organization and also the one who solves the technical problems the company encounters, using his special skills can be termed as a **Bureaucratic servant**. The company relies on his decision-making capability for the future growth.
* **Social Servant** − A person who works for the benefit of the society without any selfish interest and does not work on any business grounds, is called a Social servant. An engineer who receives a task as part of the government’s concern for the society considering the directives laid by the society and accomplishes the assigned tasks can be termed as a **Social Servant**. He knows what the society needs.
* **Social Enabler or Catalyst** − A person who makes the society understand its welfare and works towards the benefits of the people in it, is a Social Enabler. An engineer who plays a vital role in a company and helps company along with society to understand their needs and supports their decisions in work can be termed as a **Social Enabler or Catalyst**. This person quickens the procedure and helps maintain good environment in the company.
* **Game Player** − A person who plays a game according to the rules given is a Game player in general. An engineer who acts as neither a servant nor a master, but provides his services and plans his works according to the economic game rules in a given time, can be termed as a **Game player**. He is smart enough to handle the economic conditions of the company.

## Professionalism

Professionalism covers comprehensively all areas of practice of a particular profession. It requires skills and responsibilities involved in engineering profession. Professionalism implies a certain set of attitudes.

The art of **Professionalism** can be understood as the practice of doing the right thing, not because how one feels but regardless of how one feels. Professionals make a profession of the specific kind of activity and conduct to which they commit themselves and to which they can be expected to conform. Moral ideals specify virtue, i.e., desirable feature of character. Virtues are desirable ways of relating to other individuals, groups and organizations. Virtues involve motives, attitudes and emotions.

According to Aristotle, virtues are the **“acquired habits that enable us to engage effectively in rational activities that defines us as human beings.”**

### **Professional Ideals and Virtues**

The virtues represent excellence in core moral behavior. The essentials for any professional to excel in the profession are behavior, skills and knowledge. The behavior shows the moral ideology of the professional.

The moral ideals specify the virtue, i.e., the desirable character traits that talk a lot about the **motives, attitude** and **emotions** of an individual.

* Public spirited virtues
* Proficiency virtues
* Team work virtues
* Self-governance virtues

The virtues mentioned above show the professional responsibility of an individual. Hence, the professionalism that comes in with these virtues is called **Responsible Professionalism**. Let us now understand each virtue in detail.

### **Public-spirited Virtues**

An engineer should focus on the good of the clients and the public at large, which means no harm should be done intentionally. The code of professional conduct in the field of engineering includes avoiding harm and protecting, as well promoting the public safety, health and welfare.

Maintaining a sense of community with faith and hope within the society and being generous by extending time, talent and money to professional societies and communities, an engineer can maintain the public-spirited virtue. Finally, justice within corporations, government and economic practices becomes an essential virtue that an engineer should always possess.

### **Proficiency Virtues**

These refer to the virtues followed in the profession according to the talent and intellect of an engineer. The moral values that include this virtue are competence and diligence. The **competence** is being successful in the job being done and the **diligence** is taking care and having alertness to dangers in the job. Creativity should also be present in accomplishing the assigned task.

### **Teamwork Virtues**

These virtues represent the coordination among team members which means working successfully with other professionals. These include cooperative nature along with loyalty and respect towards their organization, which makes the engineers motivate the team professionals to work towards their valuable goals.

### **Self-governance Virtues**

These virtues are concerned with moral responsibilities which represent integrity and self-respect of the person. The integrity actually means the moral integrity which refers to the actions, attitude and emotions of the person concerned during his professional period.

The self-governance virtues center on commitment, courage, self-discipline, perseverance, self-respect and integrity. The truthfulness and trustworthiness which represent his honesty are the crucial moral values to be kept up by a professional.